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ANNUAL
REPORT
1966



UNIVERSAL SECTIONS LIMITED



TEN YEAR SALES & EARNINGS RECORD

SALES

1966 \$4,060,806

1965 3,016,163

1964 2,781,522

1963 2,599,231

1962 2,347,938

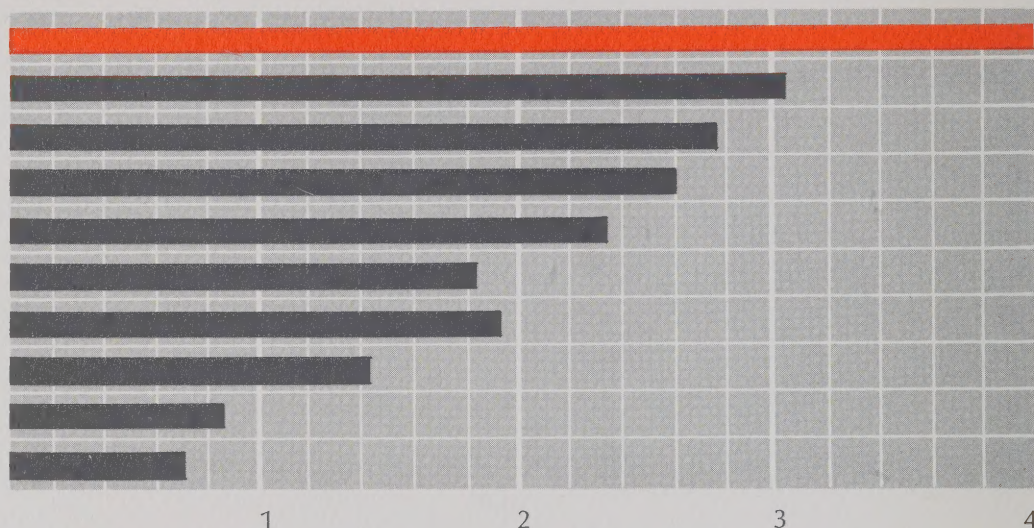
1961 1,823,510

1960 1,921,060

1959 1,409,961

1958 853,957

1957 690,194



EARNINGS PER SHARE

1966 \$.67

1965 .50

1964 .35

1963 .33

1962 .32

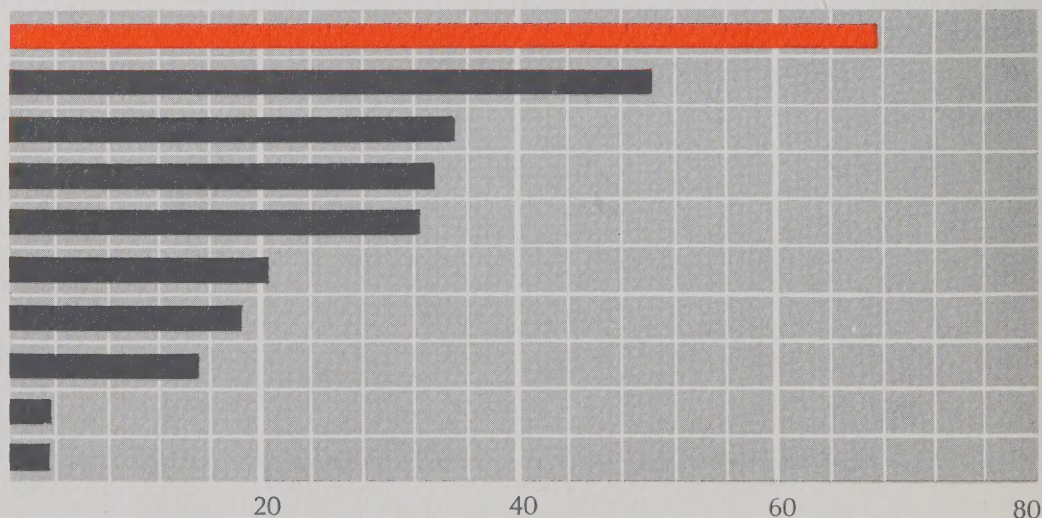
1961 .20

1960 .18

1959 .15

1958 .03

1957 .03



HIGHLIGHTS

... of the Annual Report for the year 1966.

	1966	1965
Net Sales	\$4,060,806	\$3,016,163
Net Earnings (after taxes)	268,845	201,418
Net Earnings per share	.67	.50

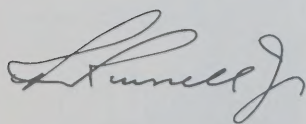
TO OUR SHAREHOLDERS:

Sales and earnings rose to new highs for the year ended March 31, 1966. It was our ninth year of steady improvement in earnings and we expect to continue the uptrend in the year ahead.

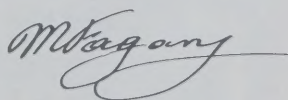
This past year has been an important year for Universal Sections Limited. Becoming a public company, the directors feel, marks a clear-cut step in the company's growth. Since inception, Universal has always been a partnership and we welcome all of our new shareholders in this same spirit. We appreciate your interest in the company and look forward to meeting many of you at the forthcoming Annual Meeting.

On the following pages, we have made an effort to tell you something about the products we make and how they are sold. We hope you will find it informative and that it will give you, as Canadian Investors, some of the sense of satisfaction that we have in helping build our rapidly growing country.

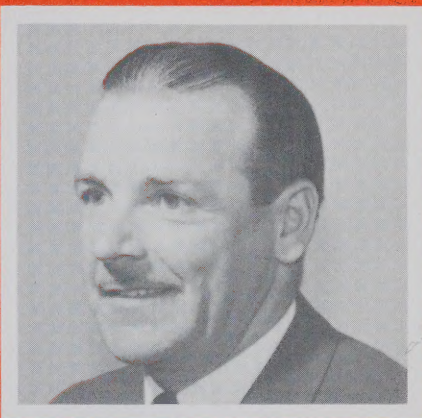
On behalf of your
Board of Directors



REGINALD RUSSELL, JR.
President



MAURICE FAGAN,
Vice-President &
Secretary-Treasurer



REGINALD RUSSELL, JR.



BERNARD BARRIS



MAURICE FAGAN



METAL LATH AND ACCESSORIES:

WE SELL TO LATHING AND PLASTERING CONTRACTORS

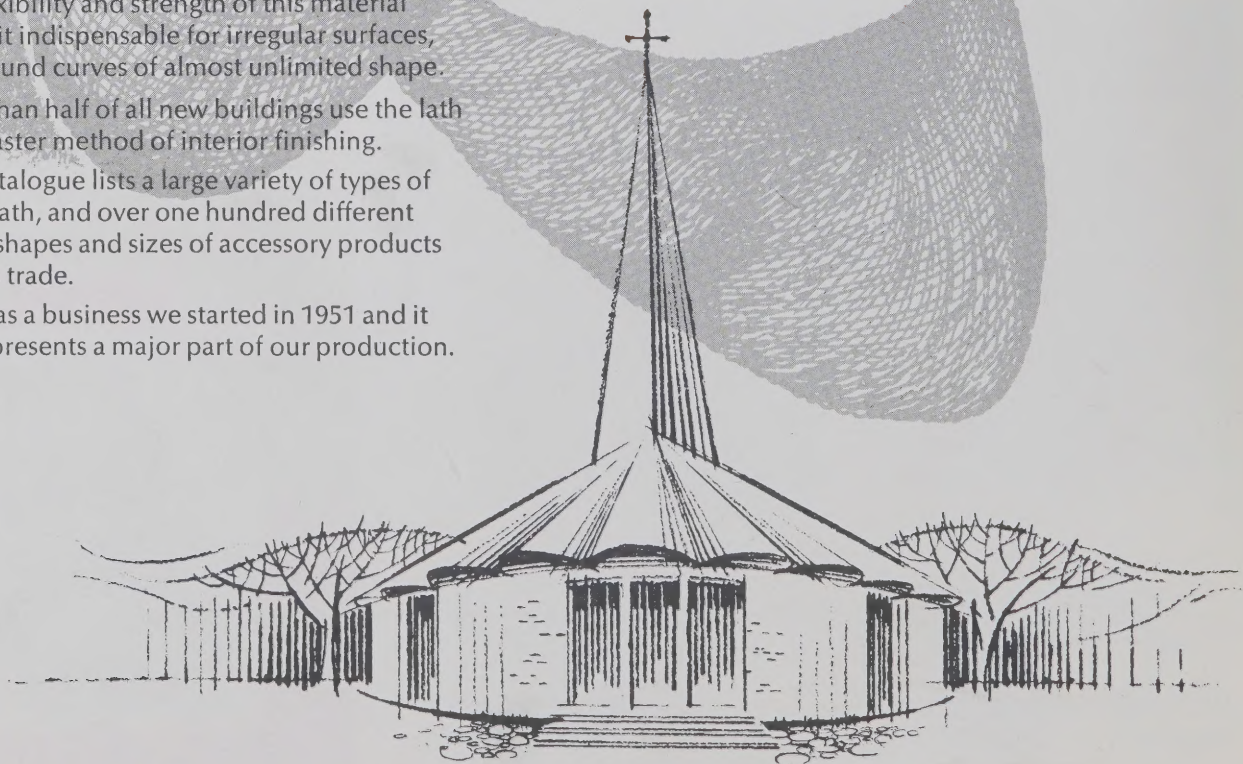
Metal lath is a kind of steel mesh that we produce in sheets to be used as a base or support for plaster finishes on walls and ceilings.

The flexibility and strength of this material makes it indispensable for irregular surfaces, compound curves of almost unlimited shape.

More than half of all new buildings use the lath and plaster method of interior finishing.

Our catalogue lists a large variety of types of metal lath, and over one hundred different types, shapes and sizes of accessory products for this trade.

This was a business we started in 1951 and it still represents a major part of our production.



DRYWALL METAL COMPONENTS:

WE SELL TO DRYWALL APPLICATORS:

A new wall and ceiling finishing system with many advantages and features is known as Drywall.

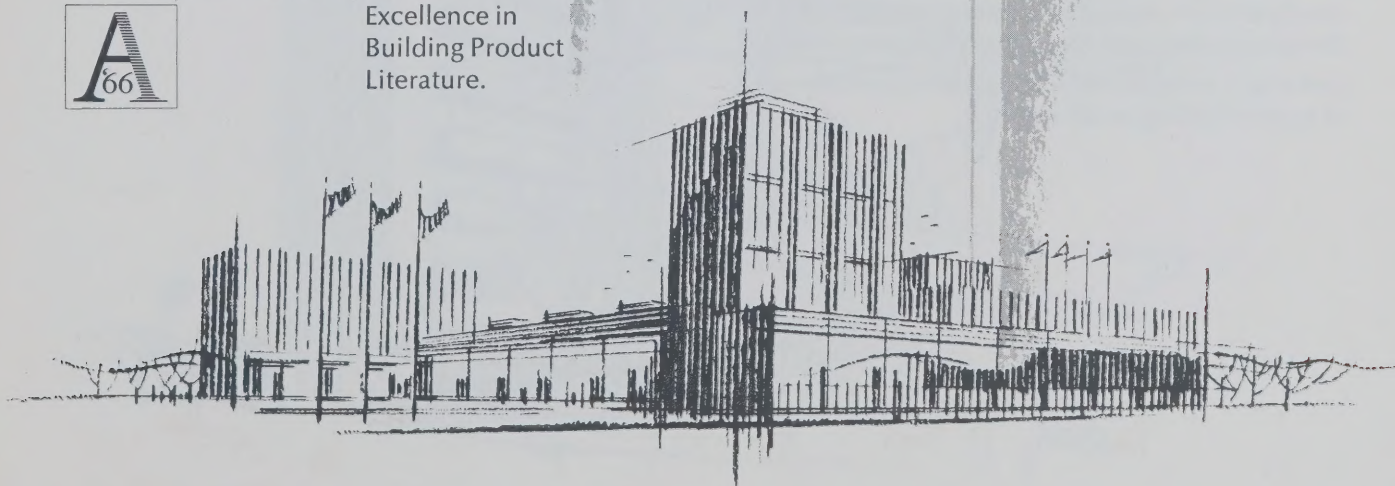
This system does not use plaster. It is a complete wall or ceiling structure composed of metal framing members covered with gypsum wallboard. We supply all the metal components for this type of wall.

As with all of our products, we are proud of our reputation for quality and unique features which contribute to faster and more efficient applications.

We are extremely pleased that our new brochure describing our complete line of Drywall Construction components has won the 1966 Peter Barott award presented for



Excellence in
Building Product
Literature.





CEILING SUSPENSION SYSTEMS:

WE SELL TO ACOUSTIC CEILING CONTRACTORS:

If you've been looking up at acoustic ceilings during recent years, you may be aware of this quiet revolution.

In the last ten years, use of the hung, or suspended ceiling has grown from the case of the exception to the rule. This field is growing ever wider and now is even being used in homes.

If you're a "do-it-yourselfer", you may already have installed some of Universal's suspended ceiling grid yourself.

Practically all institutional and commercial buildings employ this system of ceiling construction for appearance, elimination of distracting noise, and for fire proofing purposes.

Universal produces one of the largest varieties of types of ceiling treatments.



ROLL FORMED STEEL SHAPES:

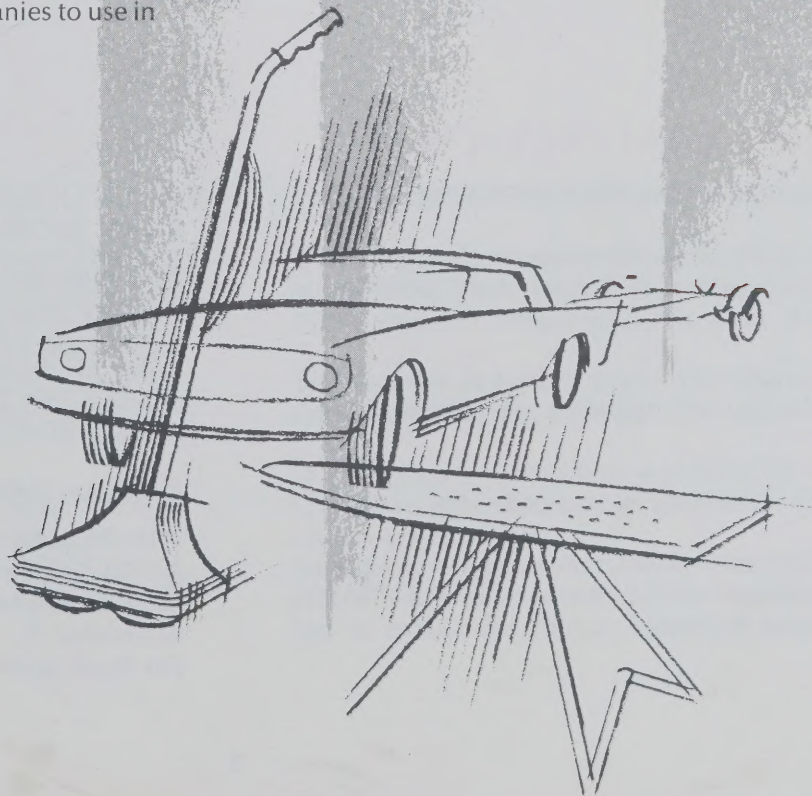
WE SELL TO OTHER PRODUCERS:

With the booming expansion of industry in Canada, we have experienced a heavy demand for custom roll formed steel shapes.

This market appears to be substantial and increasing so our plans include expansion of this phase of our operation.

We are presently producing parts for electrical systems, automobiles, ironing boards, boat trailers and appliances.

These are only a few of the many types of shapes we roll form for other Companies to use in their products.





TEN YEAR STATISTICAL REVIEW

	After Amalgamation		1964
	1966	1965	
NET SALES	\$4,060,806	3,016,163	2,781,522
Net Earnings (after tax)	268,845	201,418	141,912
Percent of Sales	6.6	6.6	5.1
Earnings Per Common Share67	.50	.35
Working Capital	840,541	843,823	
Depreciation	72,814	51,783	
Net Property Plant & Equipment	668,562	600,866	
Shareholders' equity	1,049,538	816,006	
percent of return	25.6	24.7	
per common share	2.62	2.04	
Shares Outstanding	400,000	400,000	
Number of Shareholders	520	—	
% of Shares Owned in Canada	99.4%	—	

FINANCIAL REVIEW

UNIVERSAL'S 1966 NET PROFITS RISE 33%.

Universal's 1966 Net Income amounted to \$268,845 or \$.67 a share up from \$201,418, or \$.50 in 1965.

Universal's ratio of net income to sales in 1966 was 6.6 per cent, the same as the previous year.

SALES ADVANCE 35% OVER 1965

All Universal manufacturing and product groups contributed to 1966's record sales of \$4,060,806 up from \$3,016,163 in 1964.

STOCK LISTED ON THE TORONTO STOCK EXCHANGE

After operating for 15 years as a private concern owned entirely by the management, Universal shares were offered to the public in 1965 and listed for trading on the Toronto Stock Exchange. The company now has 520 shareholders, 99.4% owned in Canada.

REGULAR DIVIDEND PROGRAM IS BEGUN

With the public distribution of shares, the directors of Universal approved a regular dividend program begun with 7½ cents per share paid September 31, 1965 and increased to 10 cents per share paid April 15, 1966.

1963	1962	Prior to Amalgamation		1959	1958	1957
		1961	1960			
2,599,231	2,347,938	1,823,510	1,921,060	1,409,961	853,957	690,194
132,760	129,471	79,122	72,141	59,412	13,941	14,913
5.	5.5	4.3	3.8	4.2	1.6	2.1
.33	.32	.20	.18	.15	.03	.03
NOTE: FIGURES PRIOR TO 1965 NOT APPLICABLE.						

UNIVERSAL BORROWS \$700,000

In May 1965 the Company borrowed \$700,000 for twenty years at a rate of 6.5 per cent. The funds, obtained from financial institutions, have been used to pay for plant and equipment and to finance larger inventories and accounts receivable, required to support rising sales.

SHAREHOLDERS' EQUITY UP 29%

Retained earnings increased to \$1,033,707 in 1966, as compared to \$800,175 in 1965, up 29% in the year.

RETURN ON EQUITY 25%

The Company's return on shareholders' investment was 25.6% in 1966. This compares with a 24.7% return in the previous year.

CAPITAL INVESTED \$275,000

In 1966, Capital Investment was \$275,027. The Company's expenditures went primarily for new equipment and plant.

For 1966-67 the Company expects capital outlays to exceed the amount expended in 1966.



UNIVERSAL SECTIONS LIMITED

BALANCE SHEET, MARCH 31, 1966

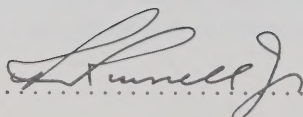
(With comparative figures as at March 31, 1965 on a pro forma basis — note 1)

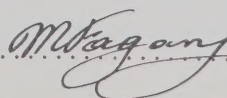
ASSETS

CURRENT ASSETS	1966	1965
Accounts receivable, less allowance for doubtful accounts	\$1,374,654	\$1,175,366
Inventories, at lower of cost and market	574,077	633,754
Prepaid expenses	6,279	2,271
	<u>1,955,010</u>	<u>1,811,391</u>
INVESTMENTS		
Shares in other companies, at cost (without quoted market value)	114,567	10,050
Advances to other companies	19,000	19,000
Mortgage receivable	30,000	—
Other, at cost	3,000	3,000
	<u>166,567</u>	<u>32,050</u>
FIXED ASSETS (Note 2)		
Land, building and equipment, at cost	1,092,544	951,151
Less: Accumulated depreciation	423,982	350,285
	<u>668,562</u>	<u>600,866</u>
OTHER ASSETS		
Patents, at cost	1,336	1,267
Incorporation expenses	2,532	3,000
	<u>3,868</u>	<u>4,267</u>
	<u>\$2,794,007</u>	<u>\$2,448,574</u>

The accompanying notes are an integral part of this statement.

APPROVED ON BEHALF OF THE BOARD.

.....Director

.....Director

LIABILITIES

CURRENT LIABILITIES	1966	1965
Bank advances, against which book debts and inventories have been pledged	\$ 314,443	\$ 136,126
Accounts payable and accrued liabilities	559,156	654,768
Notes payable	69,517	—
Income taxes payable	136,353	141,674
Sinking fund instalment due within one year on long-term liability	35,000	35,000
	<u>1,114,469</u>	<u>967,568</u>
 LONG-TERM LIABILITIES		
6½% Sinking fund debentures maturing May 15, 1985, annual sinking fund requirement, \$35,000	665,000	700,000
Less: Sinking fund instalment due within one year, included under current liabilities	35,000	35,000
	<u>630,000</u>	<u>665,000</u>
 TOTAL LIABILITIES	<u>1,744,469</u>	<u>1,632,568</u>
 SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized, 600,000 shares without par value	15,831	15,831
Issued, 400,000 shares	1,033,707	800,175
RETAINED EARNINGS	1,049,538	816,006
	<u>\$2,794,007</u>	<u>\$2,448,574</u>

CONTINGENT LIABILITIES (Note 3)

This is the balance sheet referred to in our report to the shareholders dated June 7, 1966.

THORNE, MULHOLLAND, HOWSON & McPHERSON
Chartered Accountants



UNIVERSAL SECTIONS LIMITED

STATEMENT OF INCOME (Note 4)

Year ended March 31, 1966
(With comparative figures for 1965)

	1966	1965
Sales	\$4,060,806	\$3,016,163
Cost of sales and expenses other than undernoted items	3,435,032	2,554,776
	<u>625,774</u>	<u>461,387</u>
Depreciation	72,814	51,783
Interest on long-term liabilities	39,034	2,203
Other interest expense	28,414	16,297
	<u>140,262</u>	<u>70,283</u>
Income before undernoted taxes	485,512	391,104
Taxes on income	216,667	189,686
NET INCOME FOR YEAR	<u>\$ 268,845</u>	<u>\$ 201,418</u>
Net income of the separate companies for the period from April 1, 1965 to May 28, 1965, the date of amalgamation	46,813	
Net income for the period from May 29, 1965 to March 31, 1966	222,032	
	<u>\$ 268,845</u>	

STATEMENT OF RETAINED EARNINGS

Year ended March 31, 1966

Retained earnings on a pro forma basis as at March 31, 1965		800,175
ADD		
Net income for year	268,845	
Adjustment of estimated debenture financing costs	2,187	271,032
		<u>1,071,207</u>
DEDUCT		
Dividends paid	30,000	
Pension plans past service contribution, \$15,000, less applicable reduction in taxes on income of \$7,500	7,500	37,500
RETAINED EARNINGS AS AT MARCH 31, 1966		<u>\$1,033,707</u>



UNIVERSAL SECTIONS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended March 31, 1966

	1966	
FUNDS APPLIED		
Additions to fixed assets	\$ 140,510	
Increase in investments	134,517	
Sinking fund instalment on long-term liabilities	35,000	
Dividends paid	30,000	
Other	4,914	\$ 344,941
FUNDS MADE AVAILABLE		
By operations:		
Net income for year	268,845	
ADD: Depreciation, which does not involve an outlay of funds	72,814	341,659
DECREASE IN WORKING CAPITAL		3,282
Working capital on a pro forma basis as at March 31, 1965		843,823
WORKING CAPITAL AS AT MARCH 31, 1966		\$ 840,541
Current assets		1,955,010
Current liabilities		1,114,469
		<u>\$ 840,541</u>

AUDITORS' REPORT

To the Shareholders of
Universal Sections Limited:

We have examined the balance sheet of Universal Sections Limited as at March 31, 1966 and the statements of income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and related statements of income and retained earnings present fairly the financial position of the company as at March 31, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned statements, presents fairly the changes in the working capital of the company for the year ended March 31, 1966.

TORONTO, CANADA,
June 7, 1966.

THORNE, MULHOLLAND, HOWSON & McPHERSON
Chartered Accountants



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UNIVERSAL SECTIONS LIMITED

NOTES TO FINANCIAL STATEMENT

Year ended March 31, 1966

1. PRO FORMA BALANCE SHEET, MARCH 31, 1965:

Universal Sections Limited was formed by the amalgamation of Universal Sections and Mouldings Limited, Inland Building Products Limited and Allsteel Rolled Products Limited.

The pro forma balance sheet at March 31, 1965, gave effect to the following events:

- The creation and sale by Universal Sections and Mouldings Limited on May 26, 1965 of \$700,000 principal amount of 6¹/₂% debentures requiring annual sinking fund payments of \$35,000, final payment due May 15, 1985, net proceeds to the company being \$666,000 after estimated expenses of the issue.
- The acquisition by Universal Sections and Mouldings Limited on May 21, 1965, of the land and building under lease by the company, for a cash consideration which totalled \$380,000 including assumption and repayment of the mortgage liability on the property. The purchase price of the land and building acquired from Directors of the company, was based on appraisals dated April 10, 1965 made by Eastern & Chartered Trust Company and April 23, 1965 made by J. A. Willoughby & Sons Limited. The purchase price of the building exceeded the amount chargeable against future income of the company for tax purposes by \$113,000.
- The charge of \$34,000 to retained earnings of Universal Sections and Mouldings Limited with respect to the estimated costs, expenses and discount incurred in connection with the debenture issue referred to in (a) above and a payment to the mortgagee of \$12,000,

charged to retained earnings, in connection with the retirement, prior to maturity, of the mortgage liability referred to in (b) above.

- The application of \$27,500 to the retirement of indebtedness of Universal Sections and Mouldings Limited to an industrial development bank.
- The application of \$246,500 to the reduction of the company's bank indebtedness.
- The issue of letters patent under the laws of Ontario dated May 28, 1965 confirming the agreement by Universal Sections and Mouldings Limited, Inland Building Products Limited and Allsteel Rolled Products Limited to amalgamate and continue as one company, Universal Sections Limited, a public company with an authorized share capital of 600,000 shares without par value. The shareholders of the amalgamating companies received shares in Universal Sections Limited on amalgamation as follows:

Shareholders of:	Shares in Universal Sections Limited
Universal Sections and Mouldings Limited	242,650
Inland Building Products Limited	83,550
Allsteel Rolled Products Limited	73,800
	<u>400,000</u>

- The payment by Universal Sections Limited of \$3,000 being the estimated expenses in connection with the amalgamation referred to in (f) above.

2. FIXED ASSETS:

	1966			1965
	Cost	Accumulated depreciation	Net	Net
Land	\$ 57,000	—	\$ 57,000	\$ 57,000
Building and building improvements	406,704	\$ 24,966	381,738	345,843
Machinery and equipment	594,125	378,599	215,526	184,130
Office and automotive equipment	34,715	20,417	14,298	13,893
	<u>\$1,092,544</u>	<u>\$423,562</u>	<u>\$668,562</u>	<u>\$600,866</u>

3. CONTINGENT LIABILITIES:

The company is contingently liable in the amount of \$57,000 at March 31, 1966 as guarantor of bank loans to third parties.

4. STATEMENT OF INCOME:

The accompanying statement of income reflects earnings on the following basis:

1966

Earnings of the separate companies (see note 1) for the period from April 1, 1965 to May 28, 1965, the date of amalgamation, combined with earnings of the amalgamated company from May 29, 1965 to March 31, 1966.

1965

Earnings of the separate companies for their fiscal years ended during the year ended March 31, 1965, adjusted for an increase in taxes on income which would have resulted had the companies been taxed as one operation.

5. SUBSEQUENT EVENTS:

Subsequent to March 31, 1966 the company commenced negotiations which, if consummated, will result in the acquisition, for approximately \$350,000, of a majority interest in a Canadian manufacturer of steel products.



DAVID FRY, FRASER & COMPANY LIMITED

DAVID FRY • DONALD FRASER

July 15th, 1966.

Globe & Mail,
140 King West,
TORONTO 1, Ont.

Dear Sir:

You are cordially invited to send a
representative to the annual meeting of
Universal Sections Limited
Tuesday, July 19th, 1966, 10 a.m.
King Edward Hotel, Hunting Room

DAVID FRY, FRASER & CO. LTD.

4 King Street West - Suite 1214

contact: Donald Fraser
John Payne

- #1 - automation
- #2 - product development
- #3 - customer service

Konawa

- purchased 2 Market
companies

- add \$1000,000 sales
174,000 net

no treasury share

- outlode 1966-67

18 Ave and around

sales up 15%

- some soft spots

- Japan - would not
say what paid.

CORPORATE INFORMATION

DIRECTORS

✓ Reginald M. Russell Jr.
✓ Bernard H. Barris
✓ Maurice Fagan
*Donald Fraser
*David Fry

OFFICERS

Reginald M. Russell, Jr., President
Maurice Fagan, Vice-President and Secretary-Treasurer
Bernard H. Barris, Vice-President

BANKERS

The Canadian Imperial
Bank of Commerce

TRANSFER AGENT AND REGISTRAR

Canada Permanent Trust Company

TRUSTEE

Twenty year 6 $\frac{1}{2}$ % Debentures
The Canada Trust Company

AUDITORS

Thorne, Mulholland, Howson
& McPherson

FISCAL AGENTS

David Fry, Fraser and Company Limited

COMMON SHARES

Listed Toronto Stock Exchange

*Principals of the firm of David Fry, Fraser and Company Ltd.

UNIVERSAL SECTIONS LIMITED

100 Canadian Road, Scarborough, Ontario

Geroux - ^{Suba Budden} Charles Pencault
Lefebvre - Geroux Rousseau - 387-2566
722-4648

They will be merged as one conference
acquisitions

Gerard Rousseau